

GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operations of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the CRA performance of **Templeton Savings Bank, Templeton, Iowa**, prepared by the **Federal Reserve Bank of Chicago**, the institution's supervisory agency, as of May 28, 1998. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 228.

INSTITUTION'S RATING: This institution is rated **Satisfactory**.

The bank is adequately serving the credit needs of its community. The loan portfolio shows agricultural and real estate lending to be the primary products, consistent with the identified credit needs of the community. The loan-to-deposit ratio is well above the peer group average and those ratios reported by most local lenders. The bank exceeds the standard for satisfactory performance. The high percentage of real estate and small farm loans within the assessment area exceeds the standard for satisfactory performance in this category. A review of loans to borrowers of different incomes and businesses of different revenues showed a reasonable distribution among applicants of different income ranges and meets the standard for satisfactory performance. A review of the geographic distribution of loans showed no originations for the sample period within the moderate-income geography in the assessment area. However, loans were originated to customers located in low- and moderate-income geographies outside the assessment area. There were no CRA-related complaints since the previous examination.

DESCRIPTION OF INSTITUTION

The bank is located in the town of Templeton, in Carroll County, approximately 75 miles northwest of Des Moines, Iowa. Templeton Savings Bank had total assets of \$38.2 million as of March 31, 1998. The bank operates one automated teller machine located at the bank and has no other facilities. The bank's peer group includes institutions with assets of \$25 to \$50 million with two or fewer offices located in a nonmetropolitan area. The bank's CRA performance was previously reviewed as of May 28, 1996, when a CRA rating of **Satisfactory** was assigned.

The bank is primarily an agricultural and real estate lender, and the review of lending focused on these two products. According to the March 31, 1998 Uniform Bank Performance Report, the composition of the loan portfolio is represented by the following

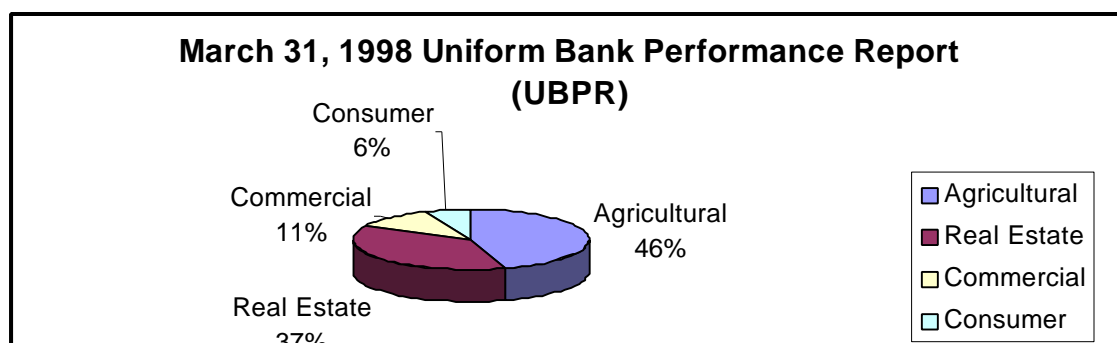


chart:

Templeton Savings Bank is not active in the secondary market for real estate loans and does not offer credit cards or other open-end consumer lines of credit. The bank's deposit products include regular checking and savings accounts, NOW accounts, money market accounts and certificates of deposit up to two years in maturity.

The bank actively participates in mortgage assistance programs for low-income individuals. Management's use of these products provides an increased flexibility to potential loan applicants and expands the underwriting criteria to include a greater number of applicants without assuming additional risk for the bank. As an example, the bank accepts applications from customers for the HOME Investment Partnership Program, sponsored by Community Opportunities, Inc. The goal of this program is to help low-income families receive down-payment and closing-cost assistance in the amount needed to overcome the gap between maximum mortgage contribution and the purchase price of the home. The maximum amount of assistance is \$24,999 and the maximum purchase price for the new home can not exceed \$86,317. The bank provides standard financing for the balance of the loan after the customer has received the assistance from Community Opportunities, Inc.

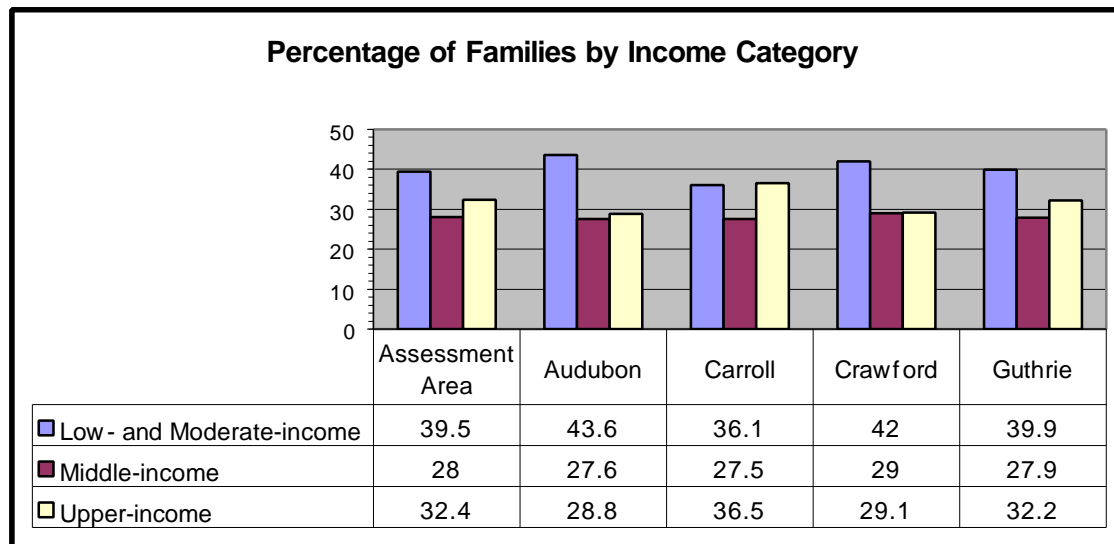
The bank's loan-to-deposit ratio was 83.9% as of March 31, 1998. This was well above the peer group's ratio of 64.4% and above or equal to its local competitors for the same period. According to management, competition for loans primarily includes the following banks: First National Bank, Manning; Landmans National Bank, Audubon; Audubon State Bank, Audubon and Carroll County State Bank, Carroll.

DESCRIPTION OF ASSESSMENT AREA

The bank has defined its assessment area as the contiguous counties of Audubon, Carroll, Crawford and Guthrie Counties. The entire assessment area contains 17 geographies or block numbering areas (BNAs): three in Audubon County; six in Carroll County; five in Crawford County; and three in Guthrie County. According to the 1990 U.S. Census data, all geographies are middle-income, except number 9703 in Audubon County, a moderate-income geography.

The population of the assessment area is 56,467 and the population of Templeton is 321. The median family income for the assessment area is \$27,211, which is lower than the statewide nonmetropolitan median family income of \$29,303. The median family income for each of the counties in the assessment area are as follows: Audubon County--\$25,599; Carroll County-- \$29,275; Crawford County-- \$26,431; and Guthrie County-- \$26,615.

The distribution of families across income levels is depicted in the following chart for the entire assessment area and for each county within the area. The total number of families in the assessment area is 15,576. The percentages are based on that total:



For the entire assessment area, 1,482 of the families (9.5% of the total) live below the poverty level. The percentage of families living below the poverty level for each county is as follows: Audubon County, 9.0%, Carroll County, 8.1%, Crawford County, 12.1%, and Guthrie County, 8.7%. The percentage of families living below the poverty level for the statewide nonmetropolitan areas is 8.8%.

The total number of housing units in the assessment area is 23,702 of which 67.4%, are owner-occupied. Rental units comprise 24.2% of the total number of housing units. For the nonmetropolitan areas of the state, 66.3% of the homes are owner-occupied and 25.3% of the housing units are rental units. The county with the lowest percentage of owner-occupied units was Guthrie County at 64.3%; the highest percentage was found in Carroll County with an ownership rate of 69.9%. The median rent for the entire assessment area is \$278 as compared to a median of \$292 in nonmetropolitan Iowa.

An affordability ratio, developed by dividing the Median Household Income by the Median Household Value for a given area, is useful in comparing housing costs for different areas. An area with a higher ratio generally has more affordable housing in comparison to an area with a lower ratio. The assessment area for Templeton Savings Bank has an affordability ratio of .68, which compares to the statewide nonmetropolitan ratio of .63. This suggests that, on an average for the three counties, housing is more affordable in the assessment area in comparison to the average for all nonmetropolitan areas of the state. Audubon County has an affordability ratio of .86, or the lowest housing cost in the area. Audubon County also contains the only moderate-income geography in the assessment area. Guthrie County has a ratio of .77; Crawford County has a ratio of .67; and Carroll County, where the bank is located, has an affordability ratio of .59, suggesting that housing in Carroll County is the least affordable of any county in the assessment area. This data indicates that, although most of the area has affordable housing, there should be additional opportunities to provide financing for low- or moderate-income applicants in Audubon County, where housing is most affordable and family incomes may be below other geographies in the assessment area. In other geographies of the assessment area, the higher comparative cost of housing may reveal a need for more affordable housing units.

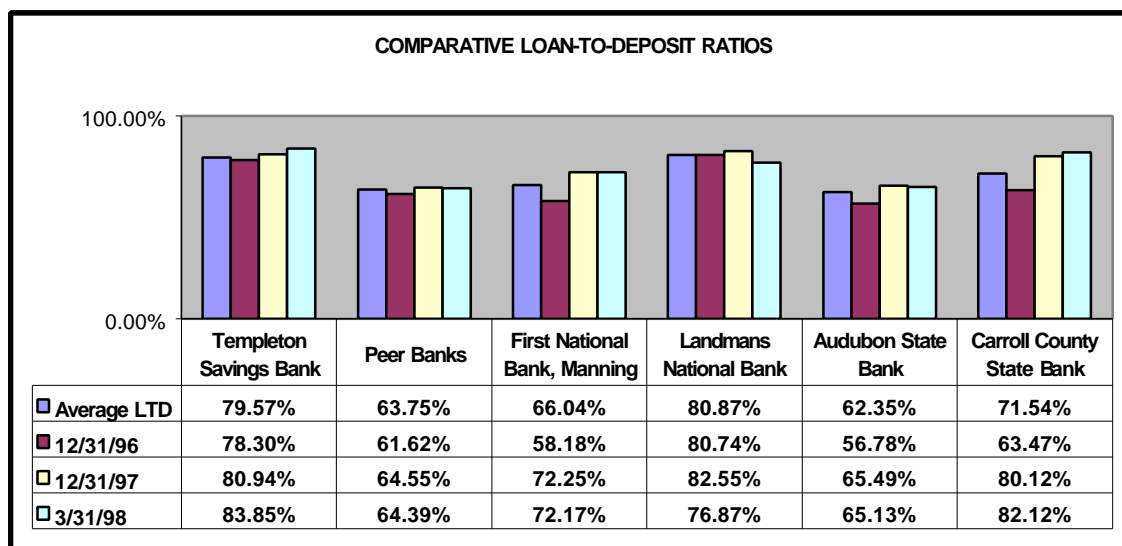
Both community contacts stated that the area needs more small businesses or industries. In addition, one contact stated that a demand exists for more affordable housing, specifically in Carroll County, but also within other geographies in the assessment area. That contact also recognized Templeton Savings Bank as an area leader in providing affordable housing lending programs to members of the community.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

The bank was examined for compliance with fair lending laws and regulations. A sample of the bank's loans and denied applications were reviewed to ascertain whether the bank's loan policy and articulated lending standards were in compliance and if they were implemented on a consistent and fair basis. No evidence of prohibited discriminatory practices was detected. The bank is in compliance with the substantive provisions of antidiscrimination laws and regulations, including the Equal Credit Opportunity and Fair Housing Acts.

LOAN-TO-DEPOSIT RATIO

The following chart shows the average loan-to-deposit ratios for Templeton Savings Bank, its peer group, and the primary competitors as defined by bank management:

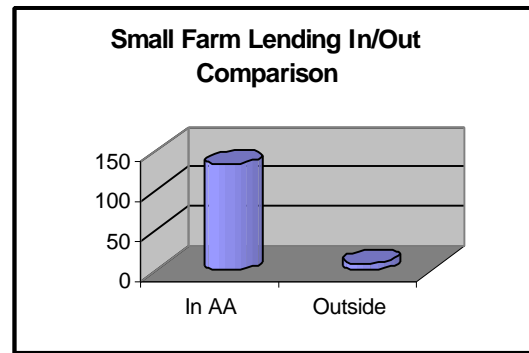
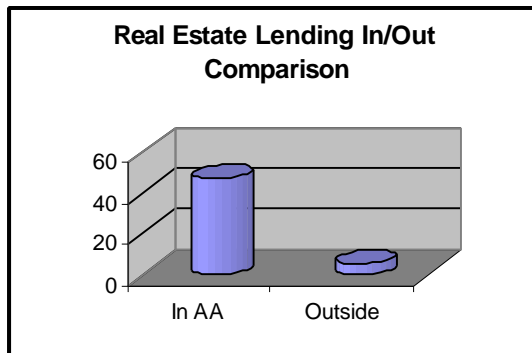


The table shows that the average loan-to-deposit ratio for Templeton Savings Bank is above its peer group and also currently exceeds its local competitors. This data demonstrates that the bank is a leader in providing loans within the assessment area

and in meeting the identified credit needs of its community. The loan-to-deposit ratio exceeds the standard for satisfactory performance.

LENDING IN THE ASSESSMENT AREA

Samples of residential real estate and small farm loans, the bank's primary credit products, were used to determine the level of lending within the bank's assessment area. Small farm and real estate loans were determined to be the primary products for the bank based upon a review of the March 31, 1998, Consolidated Report of Condition and UBPR. The following charts demonstrate the distribution of real estate and small farm lending both in and outside the of bank's assessment area:

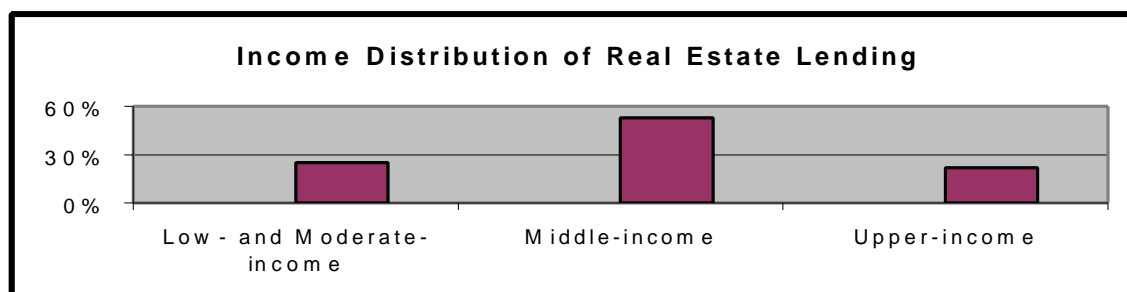


Of the 52 residential real estate loans reviewed, 47, or 92% were granted to customers within the assessment area. \$1.4 million, or 89% of the real estate loan sample dollars represented originations located within the assessment area. Of the 142 small farm loans in the sample, 134, or 96% of the total, were in the bank's assessment area. \$3.7 million, or 93% of the small farm loan sample dollars represented originations located within the assessment area. This review shows that the majority of bank lending occurs within the assessment area and exceeds the standard for satisfactory performance.

LENDING TO BORROWERS OF DIFFERENT INCOMES AND TO BUSINESSES OF DIFFERENT SIZES

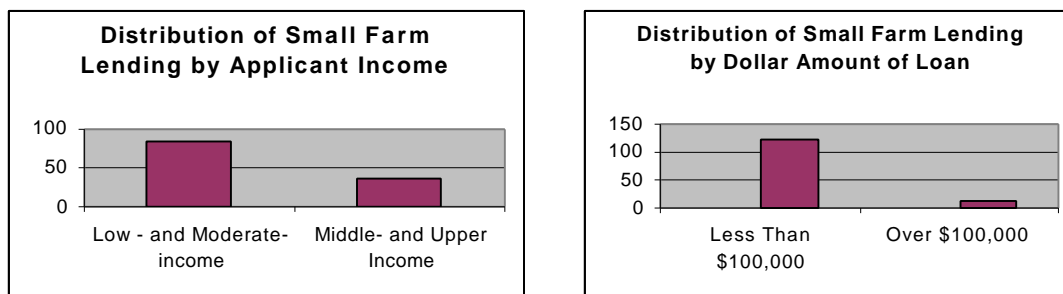
A loan sample of 47 real estate and 134 small farm loans were reviewed for income distribution. Applicant income information was generally available for the real estate loan samples, and was used in this analysis. Small farm loan underwriting and credit decisions are typically supported with a customer's balance sheet. As such, income/revenue information for small farm loans was not consistently available. To facilitate the distribution of small farm lending analysis, loan officers provided estimates of applicant income for the small farm loan sample.

The following chart demonstrates the results of an analysis based on actual applicant income showing the distribution of real estate lending between low- and moderate-income and middle- and upper-income ranges:



The above chart shows that 25% of the 47 real estate loans were originated to low- and moderate-income individuals. Although not shown, 23% of the total real estate loan dollars represented originations to low- and moderate-income individuals. This indicates that low and moderate-income individuals are provided access to real estate loan products and are included in the real estate loan credit process. Fifty-three percent of the real estate loans were originated to middle-income individuals, and 22% were originated to upper-income individuals, showing that individuals from all applicant income ranges are represented in the real estate loan credit process. This distribution is reasonable and consistent with area demographics and the identified credit needs of the community. The bank is reasonably serving the credit needs of applicants from all income ranges.

The following charts demonstrate the results of an analysis based on loan officer estimates of income showing the distribution of small farm lending between low- and moderate-income and middle- and upper-income ranges, and also the distribution by dollar amount of loan:



The above charts show that, based on estimates of applicant income, 84 of the 121 small farm loans were originated to low- and moderate-income borrowers. A review of the dollar amount of small farm loans showed that of 134 loans located in the assessment area, 122 or 91% were in amounts less than \$100,000. Loans in amounts of \$100,000 or less are most likely to meet the credit needs of the majority of small farms in the community. This review shows that a significant amount of the bank's small farm lending includes low- and moderate-income applicants and are originated in small dollar amounts consistent with the identified needs of the community. Lending to borrowers of different incomes and to small farms of different incomes/revenues was considered to be reasonable and meets the standard for satisfactory performance.

GEOGRAPHIC DISTRIBUTION OF LOANS

All 134 small farm loans and the 47 residential real estate loans sampled were located within middle-income tracts in the bank's assessment area. All geographies in the assessment area are middle-income, except 9703 in Audubon County, a moderate-income geography. There were no originations located in 9703; however, the bank did originate four small farm loans located in moderate-income tracts outside the assessment area. This shows that moderate-income geographies are not excluded from

the bank's lending, and probably reflects recent loan demand in the assessment area. Based on this analysis, the geographic distribution for Templeton Savings Bank meets the standard for satisfactory performance.

RESPONSE TO COMPLAINTS

There were no CRA-related complaints received by this Reserve Bank or Templeton Savings Bank during the examination review period.